

HOUSE FINANCE COMMITTEE
THIRD SPECIAL SESSION
August 24, 2021
1:07 p.m.

1:07:29 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:07 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen (via teleconference)
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division;
Joseph Geldof, Alaska Center for Constitutional Protection
and Eric Forrer, Juneau; Representative Mike Cronk;
Representative Kevin McCabe; Representative Ken McCarty;
Representative George Rauscher; Representative Tom McKay.

PRESENT VIA TELECONFERENCE

Megan Wallace, Director, Legislative Legal Services, Alaska
State Legislature; Margaret Thomas, Self, Nome; Martin
Stepetin, Self, Juneau; Garret Abbott, Self, Ketchikan;
Gail Limbaugh-Moore, Self, Kenai/Soldotna; Chris
Eichenlaub, Self, Wasilla; Robert Himschoot, Nushagak
Electric and Telephone Cooperative, Dillingham; Ted Madsen,

Southcentral Foundation, Anchorage; Heather Anthony, Self, Anchorage; John Erickson, City Manager, Yakutat; Terrie Harris, Self, Anchor Point; Laura Tanis, Aleutians East Borough, Anchorage; Pam Lee, Self, Eagle River; Michael Kramer, Self, Fairbanks; Pam Ventgen, Executive Director, Alaska State Medical Association, Anchorage; Rose Burgess, Self, Anchorage; Garvin Bucaria, Self, Wasilla; Mike Alexander, Self, Big Lake; Bert Houghtailing, Self, Mat-Su; Loy Thurman, Chairman, Republicans of District 8, Mat-Su; Karen Crandall, Self, Big Lake; Kathleen Shoop, Self, Palmer; Ray Ward, Self, Anchorage; Joe Muentec, Self, Fairbanks; Aofia Meleisea, Self, Anchorage; Marlana Tufford, Self, North Pole; Noria Clark, Self, Anchorage; Charles Black, Self, Anchorage; Kristin Cash, Self, Fairbanks; Melanie Beverly, Self, Soldotna; Bridgett Vaughn, Self, North Pole; Tamara Van Vliet, Self, Homer; Emily Kane, Self, Juneau; Joe Westfall, Self, Anchorage; Trevor Storrs, President and CEO, Alaska Children's Trust, Anchorage; Lisa Hansen, Self, Kenai; Dr. Tania Hall, WWAMI, Anchorage; Faith Howell, Self, Fairbanks; Chelse Lord, Self, Chugiak; Ryan Apathy, WWAMI Medical Student, Anchorage; Colleen Van Vleet, Self, Anchorage; Alex McDonald, Self, Fairbanks; Abby St. Clair, Self, Wasilla; Sandi Bateson, Self, Palmer; Max Kullberg, Self, Anchorage; Kim Wise, Self, Anchorage; James Phillips, Self/Northern Credit Services, Ketchikan; Dr. Thomas Quimby, Alaska Chapter of American College of Emergency Physicians, Palmer; Sabrina Woody, Self, Anchorage; Kathryne Mitchell, WWAMI, Fairbanks; Sheila Schatz, Self, Wasilla; Timothy Wilson, Self, Wasilla; Mike Coons, Self, Palmer; Kurt Schmit, Self, Delta Junction; Danielle Henson, Self, Wasilla; Dr. Herb Schroeder, University of Alaska - Anchorage, Eagle River; Robert Gresham, Self, North Pole; Alicia Astlund, Self, Wasilla; Rachel Allen, Self, Wasilla; Paul Hartley, Self, Kenai; Alicia Astlund, Self, Wasilla; Benjamin Ulan, Self, Fairbanks; Jim Ayers, Self, Juneau; Sana Efird, Executive Director, Alaska Commission on Postsecondary Education, Juneau; Vanessa Witt, Self, Fairbanks; Bittner Brooks, Self, Fairbanks; Jennifer Graham, Self, Anchorage; Connie Owen, Self, Wasilla; Esther Reem, Self, Palmer; Kaylee Evans, Self, Fairbanks; Julian Hiner, Self, Kodiak; Jodie Mitchell, CEO, Inside Passage Electric Cooperative, Juneau; Sean Loug, Self, Fairbanks; Mathew Maixner, Self, Juneau; David Nees, Self, Anchorage; Kaitlyn Logue, Self, Fairbanks; Michael Walker, Self, Sterling; Michelle Barnes, Self, Soldotna; Jordan Woods, Self, Anchorage; Paul D. Kendall, Self, Anchorage; Tammy

Schmidt, Self, Wasilla; Judi Bartlett, Self, Soldotna; Christina Hansen, Self, Fairbanks; Leonard Custis, Self, Houston; Louis Imbriani, Self, Eagle River; Diana Chadwell, Self, Delta Junction; Karen Perry, Self, Chugiak; Chris Draper, Self, Alexander Creek; Robert Jewett, Self, Wasilla; Lisa John, Self, Fairbanks; Duane Evertson, Self, Big Lake; Deborah Park, Self, Anchorage; Jan-Marie Bearfield, Self, Juneau; Renn Nelson, Self, Craig; James Squyres, Self, Deltana; Anita Samuel, WWAMI, Anchorage; Terry Vanleuven, Self, Juneau; Manoli Malamute, Self, Fairbanks; Brian Vanderwood, Self, Anchorage; Dwight Lane, Self, North Pole.

SUMMARY

HB 3003 APPROP: OPERATING; PERM FUND; EDUCATION

HB 3003 was HEARD and HELD in committee for further consideration.

[Note: Meeting was continued the following morning and the bill was reported out of committee. See separate minutes dated 8/25/21 10:00 a.m. for detail.]

#hb3002

HOUSE BILL NO. 3003

"An Act making an appropriation from the general fund to the Department of Education and Early Development for the payment of educational programs; making an appropriation from the earnings reserve account for the payment of permanent fund dividends; making an appropriation from the earnings reserve account to the budget reserve fund; and providing for an effective date."

Co-Chair Foster relayed that the committee would hear amendments and public testimony on HB 3003.

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^AMENDMENTS

[1:08:39 PM](#)

Representative Rasmussen MOVED to ADOPT Amendment 1, 32-GH3353\A.4 (Marx, 8/20/21) (copy on file):

Page 1, line 5, following "fund":

Insert "(art. IX, sec. 17, Constitution of the State of Alaska); making an appropriation to the oil and gas tax credit fund;"

Page 5, following line 7:

Insert a new bill section to read:

"* Sec. 5. OIL AND GAS TAX CREDIT FUND. The sum of \$114,000,000 is appropriated to the oil and gas tax credit fund (AS 43.55.028), from the following sources:

(1) \$54,000,000 from the general fund;

(2) \$60,000,000 from the receipts of the Alaska Industrial Development and Export Authority (AS 44.88)."

Renumber the following bill sections accordingly.

Page 5, line 8:

Delete "APPROPRIATION"

Insert "APPROPRIATIONS"

Delete "sec. 4"

Insert "secs. 4 and 5"

Page 5, line 9:

Delete "a fund"

Insert "funds"

Page 5, line 10:

Delete "sec. 4"

Insert "secs. 4 and 5"

Vice-Chair Ortiz OBJECTED for discussion.

Representative Rasmussen explained that the amendment would fully fund the oil and gas tax credits with \$54 million from the General Fund and \$60 million in Alaska Industrial Development and Export Authority (AIDEA) receipts. She detailed the amendment contained the same language that was included in the budget bill that passed the House in June. She highlighted that the tax credits were obligations made by the state, which had not been paid for three years. She explained that the administration had made efforts to pay the credits with bonds. She stated that in 2018, the

legislature had made a conscious decision to extend the qualifying expenditures for the tax credits. She elaborated that the state had actively solicited private sector investment based on a promise to follow through on the tax credits. She believed it had been one of the driving factors in the Cook Inlet gas "fiasco" causing Anchorage to experience brownouts due to energy shortages. She expounded that by encouraging companies to invest in the Cook Inlet, Anchorage had been able to provide gas for its schools, hospitals, private homes, and businesses. She labeled the situation as a success on top of all of the discoveries made on the North Slope.

Representative Rasmussen stated legislators had all seen the major financial institutions such as Goldman Sachs, Wells Fargo, and Bank of America announcements in the past two years that they would not invest in oil and gas projects in the Arctic. She thought it was another major hurdle for Alaska. She reasoned smaller financial institutions would play a large role in partnering with producers to ensure Alaska was able to develop its resources. She asked for members' support on the amendment.

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Representative Josephson requested to have Alexei Painter come up for questions.

Representative Josephson appreciated Representative Rasmussen offering the amendment; however, it was his understanding that on midnight on the 30th of June, General Fund money had been swept. He thought the funds would come from FY 22 revenue coming in over the course of time.

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, responded affirmatively.

Representative Josephson asked what the remaining [General Fund] balance would be if the \$54 million was spent.

Mr. Painter responded that under the current bill version with the Permanent Fund Dividend (PFD) paid directly from the Permanent Fund Earnings Reserve Account (ERA) there was an estimated surplus of \$536.6 million. The \$54 million would reduce the number to approximately \$390 million. He noted that the number would change if other amendments in the packet (copy on file) were adopted.

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Representative Josephson asked what the balance would be if a separate amendment on the dividend were adopted. He observed that it would clearly reduce the surplus.

Mr. Painter answered that the post-transfer was estimated at about \$115 million when factoring in a reduction of \$400.5 million from the General Fund in Amendment 2 and a separate \$21.4 million currently in the numbers section of the bill. He explained that if Amendment 1 were to pass, the balance would be further reduced by \$54 million to an estimated post-transfer surplus of roughly \$60 million.

Representative Josephson thought the amendment almost had the feel of a supplemental item. He remarked that if there were no reverse sweep and the scores of other items that were left unfunded, all of the projects would theoretically have to compete in January for the remaining fund balance. He asked if his understanding was accurate.

Mr. Painter responded in the affirmative. He elaborated that under the assumption of no access to the Constitutional Budget Reserve (CBR), the remaining \$60 million would be the remaining balance under the spring forecast. He noted that due to the volatility of oil pricing, if prices ended up higher there could be more money and if prices were lower there could be no money left over.

Co-Chair Foster acknowledged Representatives Mike Cronk, Ken McCarty, Kevin McCabe in the audience.

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Vice-Chair Ortiz thanked Representative Rasmussen for introducing the amendment. He stated he had voted in support of meeting the oil tax obligations during the regular session. He did not dispute the need to pay the credits. He was concerned that using \$54 million from the General Fund to pay a portion of the credit obligation would put the state dangerously close to being unable to meet funding obligations that could arise due to unforeseen circumstances. For example, revenue could fluctuate quickly. He pointed out that with the \$54 million coming from the General Fund, at oil prices of \$61 per barrel,

there would be a remaining General Fund balance of about \$60 million. Whereas, at \$59 per barrel there would be an unfilled obligation of \$4 million. He stressed that moving forward with the amendment as currently drafted could put the legislature in a bind of being unable to meet obligations due to a lack of revenue. He remarked that he had a potential remedy, but he wanted to continue the current discussion prior to offering a change.

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Representative Carpenter asked for an explanation of the surplus mentioned previously. He asked where the number had come from.

Mr. Painter replied that based on the enacted budget, there was an estimated post-transfer surplus of \$536.6 million. He detailed the amount was based on the expected revenue under the spring forecast, the use of \$250 million in American Rescue Plan Act (ARPA) revenue replacement, and the use of the Statutory Budget Reserve (SBR). The surplus resulted from the vetoes; there had not been a surplus at the end of regular session. He clarified that HB 3003 currently contained the general funds to offset the higher education costs at approximately \$21.4 million. He stated that the amount would be deducted from the bill as currently constructed. He elaborated that subtracting an additional \$400.5 million for Amendment 2 would further reduce the surplus (because its fund source was partially the General Fund rather than the ERA as currently constructed in the bill).

Representative Carpenter stated that he liked the amendment and thought the state should pay its debts; however, he was concerned about the funding sources. He asked for clarification on the CBR and SBR balances after the sweep.

Mr. Painter answered the current situation was a little odd where the bill was different than the scenario under discussion. He relayed there was currently about \$1 billion in the CBR and SBR assuming the reverse sweep took effect. He elaborated that without the reverse sweep the balances of the Higher Education Fund and other funds were also included in the balance. He explained that Amendment 2 would reduce the amount that would lapse into the CBR; however, without a three-quarter vote allowing CBR access, the CBR balance was irrelevant because it was inaccessible.

He expounded that there was no backstop if there was a shortfall in revenue because there was currently no access to the CBR, SBR, or any other fund currently as in the budget.

Representative Carpenter asked Mr. Painter to be more specific about the amount in the CBR versus the SBR.

Mr. Painter replied that assuming the SBR balance was available, which was not a given because it had been subject to the sweep in the past, there would be \$330 million left in the SBR. He detailed that the total reflected the amount of governor veto items (from the conference committee budget) funded from the SBR. The remaining amount would be in the CBR, and the amount would vary based on whether there was a reverse sweep and what else was taken out of the General Fund in FY 22.

Representative Carpenter asked how to get to the determination of whether the funds in the SBR would be swept or not. He stated the information was germane to the current conversation about where to fund HB 3003 if they were looking for fund sources other than the General Fund. He asked if Legislative Legal Services could provide insight into the situation.

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MEGAN WALLACE, DIRECTOR, LEGISLATIVE LEGAL SERVICES, ALASKA STATE LEGISLATURE (via teleconference), responded that she could not answer when or how the legislature would know whether the SBR would be sweepable. She stated that the issue arose as a consequence of the Power Cost Equalization (PCE) litigation. She detailed that the SBR had historically been categorized as a sweepable fund; however, a Superior Court judge had recently ruled in a case brought by the Alaska Federation of Natives (AFN) that the legislature had the power to establish and create funds outside of the General Fund. The judge had specifically noted the legislature had created separate funds.

Ms. Wallace elaborated that the footnote associated with the court analysis indicated that the SBR was a separate fund in the state treasury. She furthered that it seemed apparent in the Superior Court's analysis that the SBR was outside the General Fund and under the same category as the PCE litigation, meaning it could be considered as not

subject to the sweep. Ultimately, the administration would decide on which funds were sweepable and the Superior Court decision did not specifically order against sweeping the SBR. She stated it was her understanding that the legislature had not received confirmation in terms of the administration's reevaluation of the sweepable funds list in light of the legal opinion. The legislature would either receive an announcement from the administration or through potential further litigation on the sweepability of the fund. She noted that the decision was not currently expected to be appealed to the Alaska Supreme Court.

Representative Carpenter appreciated Ms. Wallace's answer. He asked how much of the funding remained after applying it toward the FY 22 budget if the SBR was not swept in the CBR. He wondered what the funding obligation was for the budget.

Mr. Painter responded that the Legislative Finance Division (LFD) would estimate that \$330 million was unobligated, which was the amount of the governor's vetoes. He noted that some of the \$325 million that went into the SBR was from a certain designated amount, while the remainder was from projected lapse. He explained that the lapse amount was based on the administration's best guess; therefore, the figure may be higher or lower when the audit was completed in December or February.

Representative Carpenter stated his understanding that either a lawsuit would challenge the sweepability of the SBR or the administration would decide whether the SBR was swept or not. Additionally, the SBR funding approved in the previous budget would continue to be funded; therefore, only \$330 million remained in the SBR if the specific chain of events took place. He asked for the accuracy of his statements.

Mr. Painter agreed. He stated that the \$80.7 million of appropriations made out of the SBR would be funded if the governor or a court determined the account to be unsweepable.

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Co-Chair Foster acknowledged Representatives Tom McKay and George Rauscher in the audience. He noted that Co-Chair Merrick had joined the meeting.

Representative LeBon supported Amendment 1. He observed that the proposed \$60 million draw from AIDEA receipts should be a one-time event. He cautioned it was a slippery slope to draw capital from an investment fund the state relied on for future investment dollars. He asked for the current total oil and gas tax credits liability. He asked what the amount would be after a \$114 million payment as proposed under the amendment.

Mr. Painter answered there was approximately \$740 million in outstanding credits based on the spring forecast estimates. The amendment would reduce the obligation to about \$630 million.

Representative LeBon asked for verification that the proposed \$114 million was based on a formula.

Mr. Painter responded that he was correct. The payment was based on the statutory formula for the state's annual contribution.

Representative LeBon asked what the future payment schedule may look like for the next five to seven years.

Mr. Painter answered that based on the statutory payments and spring forecast there would payments for five additional years in the \$100 million or so range and a smaller payment of the remaining obligation in FY 27. He noted that as the forecast changed, the precise schedule would change.

Representative LeBon highlighted that the future annual obligation was a similar amount to the amount owed in FY 22. He had heard there may be a proposal based on approval of Amendment 1 to satisfy the remaining oil and gas tax credits through a financing instrument that may be available to holders. He asked if Mr. Painter was aware of any possible resolution to make tax credit holders whole that would allow them to utilize the money for future development.

Mr. Painter responded that he was not familiar with a proposal.

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Representative Wool stated that he had supported the approval of the tax credits in the budget and believed the CBR had been used as a funding source. He asked the amendment sponsor why the amendment did not utilize a CBR mechanism as it had previously. He was concerned about the balance of the General Fund if \$54 million was taken out. He remarked that even a \$2 shift in oil prices would have a significant impact on the General Fund balance.

Representative Rasmussen believed the original funding approved by the House was spilt between the General Fund and AIDEA receipts. She stated her understanding that the use of CBR as a fund source had come from the conference committee. She stated that unfortunately when the three-quarter [vote on the CBR] threshold had not been met, the funds had not been released. She shared concerns about using funds from the General Fund; however, she pointed out that the state still received a substantial amount of money from the oil industry and \$1 billion was nothing to scoff at. She thought if the state wanted to continue to grow General Fund dollars from the private sector and see the investment into oil and gas industry, it was necessary to show Alaska was a good partner and would follow through on its contracts. She believed all committee members wanted to have money available for schools, infrastructure, public safety, and things that were important to communities; however, she thought it was important to think long-term and use funding to create confidence with the private sector. She thought there would be smaller balances in the General Fund in the near future if the obligation was not honored and it would be necessary to talk about cutting programs.

Representative Wool understood that the oil tax credit obligations went back to a certain year around 2014 or 2015. He knew the state had paid out \$100 million in the past. He believed who had received money and how much they had received was public record. He noted that \$114 million was a similar number. He was aware that some of the monies owed by the state had been bought by investment companies that traded tax credits. He asked how much of the \$114 million would go to companies currently developing on the North Slope (i.e., Pikka and others).

Mr. Painter responded that he could not provide the information. He stated that when credits were paid it became public information, but who held the credits at

present was not public information. He informed the committee that DOR had statutory guidance about how to apply payments made by the legislature to existing credit holders. The guidance included when the credits were received and other components including Alaska hire. He explained it would be very difficult from the outside to determine ahead of time who may receive payment for the credits. He did not believe DOR could provide the information given confidentiality.

Representative Wool asked if the recipients of the last \$100 million payment was public information.

Mr. Painter indicated the information was available.

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Representative Wool asked if it was possible to extrapolate from data on the previous payment what the next payment would look like.

Mr. Painter agreed it would be possible to estimate, but LFD had not done so.

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AT EASE

1:37:58 PM

RECONVENED

Vice-Chair Ortiz MOVED to ADOPT conceptual Amendment 1 to Amendment 1 (copy on file):

Line 9: Delete "general fund" and insert
"Constitutional Budget Reserve."

Co-Chair Foster OBJECTED for discussion.

Vice-Chair Ortiz stated that he fully supported paying the oil and gas tax credits obligation owed by the state. He noted he had voted for paying the credits earlier in session. He highlighted that as currently written, Amendment 1 would draw down on the General Fund to a risky level, which could prevent the state from meeting its obligations if a drop in oil prices or something else occurred. He explained that the conceptual amendment would replace the General Fund funding source with the CBR. He

elaborated that rather than funding \$54 million with General Fund dollars, the conceptual amendment would fund the \$54 million with CBR funds.

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Representative Rasmussen asked Mr. Painter or Ms. Wallace if the conceptual amendment could potentially put the legislature in a situation where the oil tax credits would go unfunded if the bill did not receive the necessary vote threshold.

Mr. Painter agreed that the credits would not be funded if the CBR vote threshold was not met by the legislature.

Co-Chair Foster clarified his understanding that only the \$54 million from the CBR would be unfunded under the scenario provided. He believed the \$60 million would still go forward.

Mr. Painter agreed. He explained that it would be different than the previous situation where no funding had been approved. He confirmed that the \$60 million from AIDEA receipts would be maintained under the scenario.

Representative Rasmussen believed committee members were all aware of the politics in the building at present. She explained the intention behind Amendment 1 was to create confidence with the private sector. She elaborated that the state had gone into the obligation knowing what would be expected. She thought it seemed disingenuous to say the state supported something, while using a funding mechanism that would likely fail. She spoke to the importance of paying the obligation in the current year. She stated that the payment had not been made in the past several years. She reasoned that if the desire was for increased revenue for more programs and projects, it was necessary to increase investment in Alaska. She believed Amendment 1 provided a step in the right direction. She opposed conceptual Amendment 1 to Amendment 1.

Vice-Chair Ortiz addressed the mechanics of the CBR vote. He asked if there could be a vote specifically on the \$54 million item separate from the rest of the sweep.

Mr. Painter confirmed there could be a CBR vote on individual items.

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Representative Wool stated that in FY 20 and FY 21 there were no payments [made to the oil tax credit obligation]. He elaborated that the following payments had been made: \$30 million in FY 17, \$77 million in FY 18, \$100 million in FY 19. Prior to the aforementioned payments there had been a one-time payment of \$3.8 billion. He remarked that the state had paid out a substantial amount of oil credit tax money. He disputed the claim that the state had not fulfilled contractual obligations. He speculated that if the payment of tax credits was the only vote on the CBR he could see how it would pass.

Representative LeBon spoke against conceptual Amendment 1. He believed the committee had heard from Mr. Painter there was sufficient General Fund revenues pay the obligation. He took the obligation of paying the oil and gas tax credits very seriously. He stated the legislature needed to reflect the commitment to pay the credits. He believed there was an opportunity for the credit holders to leverage the state's performance by paying \$114 million toward the credits. He stated it was a chicken and egg situation that required the performance and payment of dollars in order to open the window of opportunity. He thought there was the potential for greater benefit to the credit holders in future years. He noted there was also benefit to the state because the monies would be available for future development by oil and gas companies holding the credits.

Vice-Chair Ortiz made closing comments on the conceptual amendment. He believed the votes would be obtained given widespread support in the House for paying the credits and because the legislature could vote specifically on a \$54 million appropriation to fund oil tax credits out of the CBR.

Co-Chair Foster WITHDREW the OBJECTION.

Representative Carpenter OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Josephson, Ortiz, Wool, Foster

OPPOSED: Carpenter, Edgmon, Johnson, LeBon, Rasmussen, Thompson, Merrick

The MOTION to adopt conceptual Amendment 1 to Amendment 1 FAILED (4/7).

[1:47:28 PM](#)

Vice-Chair Ortiz MOVED to ADOPT conceptual Amendment 2 to Amendment 1 (copy on file):

Line 9: Delete "\$54,000,000 from the general fund;"

Line 10: delete "60,000,000" and insert "\$114,000,000"

Co-Chair Foster OBJECTED for discussion.

[1:47:40 PM](#)

AT EASE

[1:49:24 PM](#)

RECONVENED

Vice-Chair Ortiz explained that the conceptual amendment specifically addressed the funding source in Amendment 1. He emphasized that adopting Amendment 1 as written would put the state in a precarious situation. Additionally, he believed adopting Amendment 1 as written sent the message that the legislature prioritized funding oil tax credits over many other things that had been vetoed or swept that were not resolved by HB 3003. He listed various other items that were left unresolved including [Alaska] Legal Services and Pre-K funding. He felt that including the funding source as written gave the impression the legislature did not think the items were as important as meeting the state's obligations to oil companies. He reiterated he was in support of paying the state's obligations.

Vice-Chair Ortiz explained that the amendment would delete \$54 million coming from the General Fund. He detailed that conceptual Amendment 2 would pay the entire \$114 million with AIDEA receipts. He elaborated that the payment would not impact General Fund obligations and created more flexibility in the event of unforeseen circumstances.

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Representative LeBon asked how a \$114 million draw against AIDEA's capital would impact the agency. He asked for the agency's current capital level.

Vice-Chair Ortiz replied that he could not specifically answer the question. He thought Mr. Painter or others may be able to answer how the draw would impact AIDEA. He recalled there had been past discussion earlier in the year about paying the oil tax credits with AIDEA funds.

Representative LeBon stressed that the analysis of the proposed action was a critical part of the vote. He did not know whether an analysis had been done. He was disinclined to put Mr. Painter or anyone else on the hook to come up with a quick analysis of the impact. He highlighted that removing the capital from an investment agency like AIDEA impaired the agency's ability to make future investments. He referenced his earlier concern about using \$60 million in AIDEA funds. He underscored he was very cautionary about taking \$114 million action against AIDEA's capital. He did not support the proposal.

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Representative Rasmussen believed when the amendment had originally been passed in the operating budget there had been a certain comfort with the \$60 million threshold communicated by AIDEA. She shared Representative LeBon's concerns that the committee did not know the impact of the conceptual amendment on AIDEA. She asked if it was possible to hear from AIDEA or LFD.

Co-Chair Foster asked to hear from Mr. Painter.

Mr. Painter replied that he did not have updated information. He had an email from the executive director of AIDEA dated March 5, 2021, when the subject had been in front of other committees. The email stated at the time, AIDEA had \$398.8 million in reserves and the reserves earned between 3.5 to 9 percent when they were invested in projects. When the funds were not invested in projects, the five-year average earnings had been 4.58 percent. He indicated the 3.5 to 9 percent (the funds could earn if invested) represented the opportunity costs.

Representative Rasmussen asked what the investment return would be on the \$54 million if the funds were left in the General Fund.

Mr. Painter answered that the General Fund was not invested because it was used for ongoing cash flow. He did not believe there would be a direct investment return on the funds [if they were left in the General Fund].

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Representative Josephson commented that in the current administration's first year (FY 20) it had a plan to take an excessive \$200 million of receipts. He was not 100 percent certain on the amount, but he recalled the administration trying to marshal all available assets and the use of the receipts had been part of its fiscal plan to pay for things without raising revenue.

Representative Wool referred to Representative LeBon's comments about taking away investment opportunities for AIDEA. He had recently read AIDEA was allowing foreclosure on its Mustang properties on the North Slope. Additionally, he stated AIDEA was one of the predominate investors in Alaska National Wildlife Refuge (ANWR) leases with an annual lease amount. He stated that the entity's investments in the North Slope did not always work out. He surmised that perhaps it was not a bad thing for AIDEA to have fewer investment funds.

Representative LeBon replied that it was a slippery slope to reduce AIDEA's capital just because it may make a mistake. He asked if AIDEA enjoyed a stronger capital market risk rating based on its \$400 million value in relationship to any investments. He remarked that many of AIDEA's investment decisions were funded through bond sales. He noted that the interest rates on the bonds reflected AIDEA's capitalization. He asked if the statement was fair. He asked Mr. Painter to comment.

Mr. Painter responded that he did not have a strong opinion on the specific issue. He stated that generally credit raters would cite things like assets on hand. Additionally, one of the credit ratings had cited the risk of the state appropriating the agency's funds had been identified in one of the risks to AIDEA's credit. He noted it was what the conceptual amendment proposed to do.

Representative LeBon explained that AIDEA needed to build confidence in the purchasers of its bonds when bonding a project. He elaborated that part of building the confidence

was AIDEA's ability to honor the bonds through a project or through the entity's capital or net worth. He stated that was how banks worked. He did not know if AIDEA set aside a reserve for investment loss or drew on its capital as part of its planning. He did not believe AIDEA would ever want to default on any of its bonds. He stated that the entity would want to honor its bonds in every case even if the project was impaired at some level. He reiterated his opposition to the conceptual amendment.

Vice-Chair Ortiz appreciated the comments that had been made on his conceptual amendments. He understood how reducing AIDEA's resources made the entity less able to fulfill some of its investment opportunities. However, he stressed that adopting Amendment 1 in its original form would put the state's funding mechanisms used to fund its obligations in a precarious situation. He stressed that legislators' primary obligation was to be good stewards and meet its own obligations put forward in appropriation bills. He appealed to legislators who were more cautious by nature and thought putting the state's finances in a more precarious situation did not jive with the philosophy.

Representative LeBon commented that if the amendment failed, perhaps the funding source should be shifted to the Alaska Housing Finance Corporation (AHFC) "because we haven't picked on them yet."

Co-Chair Foster WITHDREW the OBJECTION.

Representative Carpenter OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Josephson, Ortiz, Wool, Foster

OPPOSED: Edgmon, Johnson, LeBon, Rasmussen, Thompson, Carpenter, Merrick

The MOTION to adopt conceptual Amendment 2 to Amendment 1 FAILED (4/7).

Representative Carpenter MOVED to ADOPT conceptual Amendment 3 to Amendment 1. He explained that the amendment would increase the amount to be paid from \$114 million to \$774 million (the total amount of the state's debt in oil tax credits). Additionally, the amendment would change the

fund source from General Fund and AIDEA receipts to the ERA.

Representative LeBon OBJECTED for discussion.

Representative Edgmon stated that he could not support the amendment. He cited the Permanent Fund earnings in the 20 percent range in the past year. He highlighted that the state's debt obligation would be satisfied with \$114 million in the current year. He referred to comments by Representative LeBon about the need to analyze the decisions before bringing them up. He did not believe it made sense to go above and beyond the amount owed in the current year. He believed Representative LeBon had stated that if \$114 million was approved by the committee it would leverage additional funds and may have some impact on the total outstanding amount of \$726 million as reported by DOR or another amount such as \$740 million. He asked for clarification on the statement.

2:05:27 PM

Representative LeBon clarified that he was referring to an opportunity the credit holders may have to sell their credits at a discounted price to an investor group or financial institution to get some of their dollars back at the present time versus over the next five or six years. He did not know whether it would happen. He remarked that the state's obligation to pay the credits was not reduced by the action because the motivation of the investor group to purchase the credits was some kind of a return and not just face value. He stated the option was a mechanism to get paid up front rather than over five or six years. He had heard from industry that there may be a deal on the table to allow the possibility, but it was predicated on payment of the \$114 million.

Representative Wool did not support the amendment. He did not want to overdraw the ERA to pay off oil tax credits. He was supportive of paying the \$114 million obligation for the current year. He did not believe it was necessary to pay off the entire amount [due over the next five or six years]. He indicated there was a list of recipients that would get some of the money, some were working on the North Slope presently and others were not. He stated that some companies such as Oil Search would not receive any of oil tax credit. He thought some of the work being done on the

North Slope was being done independent of the oil tax credits. He stated that if there was oil and the price was right, companies would find it. He highlighted that in the past couple of years when there had been no oil tax credits, there had been significant activity up north. He reiterated that he did not want to overdraw the ERA.

Representative Carpenter explained the logic behind the amendment. He was tired of having the private sector take the back seat to government spending. He believed it was the argument being made when investment earnings were juxtaposed against economic growth. He underscored that the oil sector was under stress like never before. He stated oil prices were low and there was a hostile federal administration. He elaborated that the oil industry was one of the largest sources of jobs and state revenue. He noted that when the oil market was doing well, the oil industry was a large source of charitable giving in communities.

Representative Carpenter stated that every year the legislature squabbled over how to pay for the state's debts. He remarked that the legislature did not talk about the opportunity cost the squabbling caused when there was doubt as to whether the debts would be paid. He thought the committee could talk all day about the importance of investment earnings, but it should not be a discussion in a vacuum. He thought paying off the state's debts with the massive investment earnings in the current year would be a wise use of the state's money. He stated it was not every day that the legislature had the ability to set conditions for favorable economic activity. He underscored that favorable economic activity would be generated by paying the state's debts at present. He pointed out it would reduce annual uncertainty regarding the credits. He understood the politics in the building related to spending the ERA. He asked if the current problem with regard to economic activity and state revenues was less important than future use of the fund. He reiterated that the obligation would be a wise use of the state's money.

[2:12:25 PM](#)

Representative Rasmussen was conflicted on the amendment. She supported the concept of paying off a debt. She thought it would make more sense to pay off a liability when the market was on the downturn. She was concerned about losing potential investment when the fund was making 20 percent

returns. She considered the idea of making the grand gesture and demonstrating the state was operating in good faith. She referenced challenges with the federal administration on North Slope and resource projects. She asked if the sponsor of the conceptual amendment had thoughts on the timing of the payment.

Representative Edgmon asked for clarification on the perception that every dollar paid in oil tax credits generated a dollar toward economic activity. He stated his understanding that the \$114 million would primarily be divided between three entities including Repsol, Cornucopia, and Caelus. He noted that Repsol would receive about one-third of the amount at around \$27 million. He pointed out that Caelus had moved out of the state. He did not agree with the implication that paying off the debts was by extension an investment in economic activity. He underscored that much of the debt was owed to companies without any activity in Alaska. He did not agree with the perception that \$1 from the ERA, which was currently earning a considerable amount, transferred to another entity would generate economic activity.

[2:15:18 PM](#)

Representative Wool remarked that he kept hearing comments that the state did not fulfill its obligation. He pointed out that the state had paid \$3.8 billion in oil tax credits between 2007 and 2016. Additionally, annual payments had been made in 2016 through 2018. He noted that the state was paying cashable oil tax credits, which he stated was unusual because typically a credit was toward future money owed to the state. He added that the state had stopped the practice. He thought it was a misstatement to say that the state had not paid its obligations.

Representative LeBon encouraged members to take the current action to pay the \$114 million. He pointed out that the legislature could discuss whether to pay the remaining balance from the ERA over the next budget cycle if desired.

Representative Carpenter appreciated the robust discussion. He underscored there were consequences to not paying the state's \$774 million debt incurred years back. He believed it was a travesty that the state had not paid the debt at the time it was incurred. He speculated that perhaps the companies would still be working in Alaska if the state had

paid its debts. He thought it was a disingenuous argument to point to companies leaving the state who were owed money by the state and claim that the ability for the state to pay its debts in full would somehow not benefit Alaska's economy. He addressed the immediate impact of paying money. He recognized that if a company was no longer investing in Alaska, the payment would not directly impact the state. However, he pointed to the uncertainty existing within the economy within major players making investment decisions about how they would be treated in Alaska. He stressed that the impact was difficult to measure.

Representative Carpenter agreed some companies had moved on from the state. He underscored there had been a crisis in the oil market and at the state level related to not paying debts. He stressed that both situations had a damaging impact on Alaska's economy. He addressed Representative Rasmussen's question about the timing of when to use investment earnings. He argued that if the will of the body did not exist currently when earnings were high, the will would evaporate when earnings were on the decline. He believed it was prudent for investors to consider using earnings when earnings were positive to use them for good purposes. He referenced the 6 or 7 percent investment interest the state hoped to receive and highlighted the 20 percent return [in the past year]. He considered a scenario where the state had not benefited from the high return.

Representative Carpenter asked members to imagine the alternative where the legislature had used some of the money to solve some of the state's problems such as reducing the budget by \$100 million annually. He emphasized if there was a market crash, the opportunity to reduce the budget went away. He stated that if AIDEA was looked at as a piggy bank to raid, the legislature would have the conversation every year as long as the debt existed. He stressed that AIDEA was supposed to directly benefit investment in private businesses. He did not agree with putting the private sector economy in the back seat.

Representative Wool MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Johnson, Rasmussen, Thompson, Carpenter

OPPOSED: Josephson, LeBon, Ortiz, Wool, Edgmon, Merrick, Foster

The MOTION to ADOPT conceptual Amendment 3 to Amendment 1 FAILED (4/7) .

2:22:09 PM

Co-Chair Foster returned to the original Amendment 1 that would pay the oil tax credits with \$54 million from the General Fund and \$60 million in AIDEA receipts.

Representative Josephson provided a 19th century quote by Otto von Bismarck, "Politics is the art of the possible." He wanted listeners to know it was always an issue in the building. He stressed there were scores of funds being swept that should be no less prioritized than oil tax credits. He listed items such as spill prevention, tobacco mitigation, behavioral health due to alcohol and drugs, recidivism, marijuana education tax, workforce development, and more. He highlighted that when the administration had vetoed \$440 million two years back, the legislature had restored \$160 million. He stated it had not happened with a vetoed package exceeding \$200 million that the majorities believed were worthy expenditures on behalf of the people. He stated that oil and gas tax credits were important, and he had been happy to support paying the entire \$114 million required by law. He would vote for the amendment, but he did not believe the credits were more important than a plethora of other items the legislature had been unable to come together to protect for the benefit of the people of Alaska.

Representative Wool shared some of the sentiments expressed by the previous speaker. He stated that he had supported the payment of oil and gas tax credits when addressed by the committee previously. He had supported the funding structure in the amendment as well. He believed it was an obligation that the state should pay. He thought the legislature should also be addressing other vetoes. He believed some of the items were as or more important than the oil tax credits. He did not believe the state would see a sudden flurry of activity based on the oil tax credits. He noted that Exxon, ConocoPhillips, and Hilcorp were not getting oil tax credits because the companies were too big. He stated that Oil Search was a new company and would not receive the credits. He listed other companies.

Representative Rasmussen appreciated all of the comments and debate on the amendment. She agreed with Representative Wool that the state would not see instant investment after the payments were made; however, she believed the state needed to rebuild trust with the private sector. She highlighted that the state had not made the payments for several years. She pointed out that the state would not have a PFD without oil revenue. She stated her understanding that Hilcorp had benefitted from tax credits in Cook Inlet. She thought the company had been made whole. She stated that Repsol was connected to Oil Search, which was actively deciding on the large Pikka project. She stated given what the state had seen with the Willow project at the federal level, she thought Alaskan fields needed every shot the legislature could give them to move forward and begin drilling. She agreed there were many important services funded by the state; however, she noted that programs could not be funded without incoming revenue. She hoped paying the credits would be a first step toward rebuilding confidence with the industry. She noted the funds were important to small companies. She remarked that the legislature would still have access to the CBR and AIDEA funds in the next year if there was an issue with fund levels in the General Fund. She stressed that Alaska had actively solicited companies to participate in its program to make investment. She asked for members support on the amendment.

Co-Chair Foster MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Josephson, LeBon, Ortiz, Rasmussen, Thompson, Wool, Carpenter, Johnson, Merrick

OPPOSED: Edgmon, Foster

The MOTION to ADOPT Amendment 1 PASSED (9/2). There being NO further OBJECTION, Amendment 1 was ADOPTED.

2:30:00 PM

AT EASE

2:40:37 PM

RECONVENED

^PUBLIC TESTIMONY

2:41:18 PM

Co-Chair Foster OPENED public testimony. He asked testifiers to limit their remarks to two minutes. He provided the House Finance Committee email information.

2:44:15 PM

MARGARET THOMAS, SELF, NOME (via teleconference), stated that the oil tax credit payment was one of many programs needing funding. She shared information about her personal background. She had arrived in Alaska in 1981 for a summer internship with Alaska Legal Services. She highlighted the need for services for poor people throughout Alaska, particularly in the northwest. She had worked for the agency until 1996. She spoke to the background of the agency's budget. She stressed there were very few resources for civil advice in legal cases in rural Alaska, especially for those unable to pay for private attorneys. She stated one of the most important things the agency could do was to help people maintain and obtain clear title to land in order to qualify for housing. She listed other services provided by the agency. She spoke to the drastic housing crisis in rural Alaska.

2:47:15 PM

MARTIN STEPETIN, SELF, JUNEAU (via teleconference), did not support the governor's proposal to overdraw the Permanent Fund to pay for the Permanent Fund Dividend (PFD). He stated that the proposal went against the law and took from future generations. He stated that the future generation was not to blame for what had taken place thus far. He believed further damage could be avoided by not taking more to pay a one-time larger PFD. He did not support paying for more oil tax credits at present. He highlighted there were many other items needing funding. He hoped there would be funds for school bond debt reimbursement. He shared that the City and Borough of Juneau had just passed a \$15 million bond to pay for three rooves on school facilities in Juneau. He pointed out that the citizens of Juneau had to pay for the rooves because school bond debt reimbursement had not been received.

2:49:42 PM

GARRET ABBOTT, SELF, KETCHIKAN (via teleconference), spoke against the bill as amended by the recently passed amendment sponsored by Representative Rasmussen. He thought it was outrageous the committee had decided to place oil companies before the well-being and need of Alaskans. He remarked that Alaska had many debts and obligations including to education, welfare services, housing, and the preservation of the PFD for current and future generations at the current statutory amount. He stated that every dollar to the oil companies came at the expense of the other items. He thought companies owed credits should get in line like everyone else.

[2:51:52 PM](#)

GAIL LIMBAUGH-MOORE, SELF, KENAI/SOLDOTNA (via teleconference), spoke in support of the governor's full PFD amount of \$2,350. She stated that Representative Carpenter's earlier amendment would have solved everyone's problems. She believed a statutory PFD was in order. She thanked the committee for its time.

[2:52:39 PM](#)

CHRIS EICHENLAUB, SELF, WASILLA (via teleconference), believed the state was grossly mismanaging its resources. He supported repealing SB 26 that had been passed against the will of the people. He highlighted there had been an advisory vote of the people and years of testimony telling government to keep its hands off the PFD. He stated the public was the police when it came to actions by the legislature. He thought the finance committees were corrupt. He stated the people were tired of testifying over and over. He thought the legislature kept kicking the can down the road. He remarked that the legislators were going to be fired in the future.

[2:55:13 PM](#)

ROBERT HIMSCHOOT, NUSHAGAK ELECTRIC AND TELEPHONE COOPERATIVE, DILLINGHAM (via teleconference), supported the inclusion of the Alaska Energy Authority, Renewable Energy Fund for round 13. He stated the project should have been included in HB 69 but was inadvertently left out. He explained that the action did not require any new appropriations into the Renewable Energy Fund and merely reflected a reallocation of resources already in the fund.

He shared that the company would use the funds to advance the Nuyakuk hydro project, which could substantially eliminate diesel usage in the region. The process had been very specific about the use of the funds. The timeline had driven the chosen studies. He stated the process had been delayed by a delay in funding.

2:57:39 PM

TED MADSEN, SOUTHCENTRAL FOUNDATION, ANCHORAGE (via teleconference), spoke in support of Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) funding. He provided detail about the program and highlighted that many of the participants returned to Alaska to practice medicine. He relayed that Alaska had no stand-alone medical school and WWAMI provided the opportunity to train doctors needed by Alaska's healthcare sector. He stressed that the state was currently facing a dire shortage in medical professionals. He highlighted burnout due to the pandemic. He implored the committee to fully fund WWAMI.

2:59:56 PM

HEATHER ANTHONY, SELF, ANCHORAGE (via teleconference), spoke on behalf of young children in Alaska. She stated that COVID-19 had caused many people to lose their jobs. She stressed that Alaskans needed a full PFD. She emphasized that paying less than the full amount impacted adults and children. She underscored that people were in dire straits. She pled for a full PFD. She asked the legislature to focus on the fact that everyone was suffering.

3:03:50 PM

JOHN ERICKSON, CITY MANAGER, YAKUTAT (via teleconference), spoke in support of community assistance recapitalization. He detailed that the community received approximately \$200,000. He reported that a loss of the funds would mean a 10 percent decrease in the city's budget. He reported that the city had been saving and counting pennies to redo its harbor. He stated that everyone loved a PFD; however, the city provided many of the services the state used to provide such as fish and game and harbors - all sorts of programs the city received no money for. He stated that a \$2,500 PFD was one ferry run to get a car to Anchorage.

3:06:13 PM

TERRIE HARRIS, SELF, ANCHOR POINT (via teleconference), stated the issue was not a PFD versus service or lucrative cash oil tax credits. She thought it was a PFD versus wasteful spending. She did not support the legislature's action. She would vote for a constitutional convention in 2022 and would run as a delegate. She supported a spending cap.

3:09:01 PM

AT EASE

3:09:17 PM

RECONVENED

LAURA TANIS, ALEUTIANS EAST BOROUGH, ANCHORAGE (via teleconference), shared information about the communities included in the borough. Local revenue came from raw fish tax and remaining revenue came from state and federal sources. The borough supported a balanced approach between the PFD and government services. She stated the governor's proposal was not sustainable. She shared that cost-shifting to local governments was a major concern to the borough. She reported that the borough was currently facing a \$1.9 million deficit. She requested full funding for school bond debt reimbursement, harbor bond debt reimbursement, community assistance, and school construction/major maintenance. She supported a balanced budget.

3:11:38 PM

PAM LEE, SELF, EAGLE RIVER (via teleconference), wanted everyone to honor the late Governor Jay Hammond and everything he had worked for to put the PFD in place. She supported a full PFD. She agreed with the idea of a constitutional convention and wanted the legislature to be on the road system.

3:12:20 PM

MICHAEL KRAMER, SELF, FAIRBANKS (via teleconference), supported a full statutory PFD. He stated that residents were owed over \$13,000 from lost PFDs. He shared a personal story. He stressed it was wrong to take money from people. He told the legislature to straighten up and give him his PFD.

3:14:25 PM

PAM VENTGEN, EXECUTIVE DIRECTOR, ALASKA STATE MEDICAL ASSOCIATION, ANCHORAGE (via teleconference), spoke in support of the WWAMI program. She detailed that graduates provided primary care in many parts of the state. She stressed it was a vital part of the state's healthcare team. She asked for members' support for the program and reinstating the reverse sweep.

3:15:21 PM

ROSE BURGESS, SELF, ANCHORAGE (via teleconference), spoke in support of a full PFD. She shared that she could no longer work because she was taking care of a family member and every dime mattered. She stated that the full \$2,350 would help her amidst the COVID-19 crisis. She asked the legislature to support the bill.

3:16:29 PM

GARVIN BUCARIA, SELF, WASILLA (via teleconference), opposed Amendment 2 and did not believe a lower PFD would be advantageous to anyone. He supported a full PFD. He thought it made little sense to expect a full PFD and a new state tax. He was opposed to a state tax.

3:17:49 PM

MIKE ALEXANDER, SELF, BIG LAKE (via teleconference), wanted \$10,800 that was sitting in the Earnings Reserve Account. He stated that the cost would be \$6.8 billion for 630,000 people getting a PFD. He stated infusing the funds in the economy would do more for the state than the legislature had done in the past several years. He wanted to see everyone made well for the PFDs owed. He stressed the legislature needed to learn to cut the budget. He supported a constitutional convention.

3:19:34 PM

BERT HOUGHTAILING, SELF, MAT-SU (via teleconference), thought the current situation was a clown roadshow. He thought the situation could be made better if the legislature would work on a fiscal plan. He asked what about all of the Alaskans who did not receive their PFD

because the funds were given to other people. He stated the biggest economic benefit would be to give a full PFD.

[3:21:54 PM](#)

Mike Widney, Save the PFD, Mat-Su{ supported a full PFD. He wanted the legislature to cut government services down to a reasonable size. He did not think the legislature understood. He thought a direct infusion to the people would be the biggest economic boon to the state. He asked representatives to force negotiations by playing hardball with other legislators on the issue.

[3:23:24 PM](#)

LOY THURMAN, CHAIRMAN, REPUBLICANS OF DISTRICT 8, MAT-SU (via teleconference), emphasized that legislators were representatives of the people, not overlords. He stressed that people needed money. He stated that government only took money, it did not generate revenue. He thought the situation was crazy. He emphasized the people needed money immediately. He thought there would be a citizen rebellion if the Biden administration continued its current course. He stated that legislators were facing a judgement day. He reiterated that the people needed the PFD money.

[3:26:19 PM](#)

KAREN CRANDALL, SELF, BIG LAKE (via teleconference), shared she had been informed about the bill at a Republican meeting the previous evening. She supported 50 percent of the oil shares going directly to the people. She wanted the full payment of the PFD. She wanted to repeal SB 26 because she believed there was greater accountability in empowering the people of Alaska to determine how to spend the funding. She did not want to dip into the ERA in order to have funds available for disaster relief or war at the state's borders.

[3:28:06 PM](#)

JOSEPH GELDOLF, ALASKA CENTER FOR CONSTITUTIONAL PROTECTION AND ERIC FORRER, JUNEAU, spoke about the oil and gas tax credits. He believed it was a failed program that had been bad from the start. He stated it had not all been the legislature's fault. He reported that former Governor Frank Murkowski had been the leader of the program that

originated in 2003. He stated that the former governor had been the head of a bank that imploded. He discussed when former Governor Walker had tried to take the failed program and borrow \$1 billion, the Alaska Supreme Court had ruled the action unconstitutional.

Mr. Geldhof asked how the legislature would finance the oil tax credits. He asked if the legislature would take the money out of the ERA or strip money from AIDEA. He asked if AIDEA even had the authority to fund the program. He stated that the tensions the legislature had to deal with to fund the legacy credit were brutal. He underscored it was not a debt. He directed members toward writings by supreme court Justice Stowers for more information on the case. He stated that the administration of the program had been fraught since the former Walker administration. The legislature was being asked to pay \$114 million. He stated that statute was subject to interpretation and another interpretation was that the state owed about \$37 million. He thought the bill was on its way to die over in the Senate. He recommended researching the issue and determining what was needed to meet the statutory obligation. He pointed out that statutory obligation was not binding, but aspirational.

[3:32:47 PM](#)

Representative Thompson requested Mr. Geldhof's written testimony.

Mr. Geldof agreed.

Representative Edgmon asked for detail on the Alaska Center for Constitutional Protection.

Mr. Geldof replied that it was associated with Eric Forrer in Juneau. He described the organization as a loose working group of individuals who care about the Alaska Constitution and occasionally stepped in with comment or information. He relayed that if the group ever litigated over a statutory provision where there was not public interest litigant protection, he would set up an LLC to immunize individuals doing public interest work from the high cost and expense the attorney general ran up whenever someone tried to deal with a statutory provision under Alaska's court rules. He shared that the group was largely comprised of a group of older people who were interested in civic affairs including Eric Forrer, Ron Swanson, and himself.

Co-Chair Foster provided the email address and call in numbers for the public.

[3:35:38 PM](#)

KATHLEEN SHOOP, SELF, PALMER (via teleconference), supported a full PFD. She stated that most people were really hurting. She relayed that the economy and opportunities could really be improved. She remarked that special interests should not be getting all of the money. She supported the governor's \$2,350 PFD if the full PFD was not an option. She was committed to her community and offered help if needed.

[3:36:58 PM](#)

RAY WARD, SELF, ANCHORAGE (via teleconference), spoke in support of the full PFD. He shared that he is poor and has health problems and no one to care for him. He stated that poor people and working people who had lost their jobs had been affected the most by the COVID-19 pandemic. He shared that he is blind, disabled, and lived alone with no one to help him. He stated the PFD was the people's money. He wanted federal COVID relief funding to be distributed as stimulus checks to the people. He suggested the state participate in the national lottery systems. He supported a U.S. Coast Guard base in the Arctic region. He emphasized that Alaska was the richest state in the country, but it was the poorest developed state in the country.

[3:41:04 PM](#)

JOE MUENTEC, SELF, FAIRBANKS (via teleconference), stated that the PFD was not broken and did not need to be fixed. He wanted the state to give back to the people what belonged to them. He did not support any taxes. He supported the governor's proposal to put the PFD in the constitution.

[3:42:28 PM](#)

AOFIA MELEISEA, SELF, ANCHORAGE (via teleconference), supported the governor's proposal and the PFD.

[3:43:13 PM](#)

MARLENA TUFFORD, SELF, NORTH POLE (via teleconference), stated that there should be at least a 50/50 division between the PFD and government services placed in the constitution. She stated that the COVID pandemic had been challenging and unforgettable. Her children had been moved to home school. She shared that she did not have extra food for her children. She stated it would be a very beneficial year for residents to receive a full PFD.

[3:45:13 PM](#)

NORIA CLARK, SELF, ANCHORAGE (via teleconference), supported a constitutional convention. She stressed that the PFD was not the legislature's money. She believed cuts were needed. She thought the large amount of spending on education combined with its low ranking was embarrassing. She stated that taking the PFD took family's rights away to determine how to spend their money. She highlighted the Pick.Click.Give option for people to donate. He asked why the state did not have any money. She supported a full PFD.

[3:48:09 PM](#)

CHARLES BLACK, SELF, ANCHORAGE (via teleconference), supported the PFD. He shared the personal importance of the PFD when he had been younger. He believed the PFD was very helpful for younger people trying to get going in life. He thought it would be a big win for many people to receive the PFD in light of the pandemic. He was not a proponent of paying out a lot of money to state agencies. He thought about families that needed the money.

[3:49:35 PM](#)

KRISTIN CASH, SELF, FAIRBANKS (via teleconference), stated her understanding that the PFD had been established to put some funding into the hands of the people. She thought the state's budget was very inflated. She believed the legislature was funding numerous special interest groups. She wondered why there were so many floundering families. She thought the money needed to be reconstructed from the bottom up. She stated that the PFD was intended as a support. She did not depend on the money monthly; however, many families she knew used the funds for school clothes. She believed it was time to right the stealing of funds from the people.

[3:52:56 PM](#)

MELANIE BEVERLY, SELF, SOLDOTNA (via teleconference), supported the payment of a full PFD and payment of past PFDs.

[3:53:32 PM](#)

BRIDGETT VAUGHN, SELF, NORTH POLE (via teleconference), stated that the PFD had been stolen by the former Walker administration by no vote of the people. She thought there should be a residency requirement of at least three years to weed out residents who did not work in Alaska year-round. She highlighted the high cost of fuel, energy, and food in Alaska. She thought Alaskans deserved their share. She supported the governor's proposal of a \$2,350 PFD.

[3:54:46 PM](#)

TAMARA VAN VLIET, SELF, HOMER (via teleconference), supported a full PFD. She provided ways that she had seen people use their dividends. She shared that her family had depended on the PFD when their children had been young. She provided examples of ways the PFD had helped people including the ability to purchase clothing for kids, schooling, fuel, and other. She supported the governor and her representative Sarah Vance.

[3:56:53 PM](#)

EMILY KANE, SELF, JUNEAU (via teleconference), appreciated the hard work of the legislature and the bipartisan work. She hoped the legislature would continue to develop a Permanent Fund formula to preserve the Permanent Fund capital and allow for an affordable annual PFD. She believed the change would reduce the need for endless weeks in special sessions in order to get to an annual shared profit amount. She believed a huge PFD was incredibly irresponsible. She pointed out that no size of a PFD would do the heavy lifting of public education, health, providing for village public safety officers, bridges, police departments, roads, and maintenance of infrastructure. She underscored that the Pick.Click.Give program would not cut it when it came to the huge budget items. She stressed they could not bankrupt the state for a one-time windfall. She stated it was necessary to look at the long-term. She did not believe the state should dig into the Permanent Fund

irresponsibly. She believed the role of government was to distribute funds to support social services and infrastructure. She emphasized that individuals could not pay for the social costs. She thought that paying for a safety net with a sales tax was cruel and regressive. She supported taxing higher income. She supported an income tax.

3:59:20 PM

JOE WESTFALL, SELF, ANCHORAGE (via teleconference), believed the people came first and the desires of lobbyists came second. He favored a full PFD, but understood it was likely an impossibility. He supported the governor's plan if the first was not possible.

4:00:29 PM

TREVOR STORRS, PRESIDENT AND CEO, ALASKA CHILDREN'S TRUST, ANCHORAGE (via teleconference), shared information about the agency's mission. He highlighted the immediate impact the lack of the reverse sweep had on youths, specifically related to the Marijuana Education Treatment Fund. He detailed that the fund was supported by 25 percent of the state marijuana tax. He provided detail on youth programs the funding supported. The fund was replenished by ongoing marijuana tax revenues; however, the fund had been zeroed out due to the sweep. He reported that the state had been unable to advance grant funds and the agency was in the middle of a three-year grant cycle. The situation created fiscal uncertainty. He discussed other detriments resulting from the situation. He shared additional services that were impacted. He stressed in the importance of investing in the state's youth.

4:02:47 PM

LISA HANSEN, SELF, KENAI (via teleconference), spoke in support of a full PFD payout. She stated the funds would go to struggling Alaskans. She shared that her husband worked full-time at a local hospital and had not received any bonus working through the pandemic. Her family was not on any welfare. She urged the committee to pay a full PFD, but if it was not doable, she supported the governor's \$2,350 PFD.

4:04:30 PM

DR. TANIA HALL, WWAMI, ANCHORAGE (via teleconference), encouraged the committee to identify a funding source for the WWAMI program. She explained that class had begun the previous week, but funding had not yet been secured. She detailed that the program could not recruit for the next year if the funds were not identified. She stated the statistics spoke for themselves. She wished there was a way to have statutory funding for the program because its worth had been proven year after year.

Representative Rasmussen asked how many students or doctors typically stayed in Alaska after completing the WWAMI program.

Dr. Hall replied that since the establishment of the program in 1974, more than 60 percent of WWAMI graduates had returned to Alaska. When considering all of the WWAMI states, students from the other participating states rotated through Alaska and often decided to practice in Alaska. She reported that more than 70 percent of WWAMI graduates came to Alaska. She detailed that 14 percent of the current physician workforce was from the WWAMI program. The program constituted the largest contributing medical school to Alaska's doctors. She noted that the legislature was funding the difference between in-state and out-of-state tuition for the WWAMI students. She clarified that students still paid in-state tuition, which was quite expensive. She detailed that it ended up being about a \$30,000 difference that the state generated a loan for each student. She reported that if students did not return to the state to practice for at least five years in an urban area or three years in a rural area, they had to pay back interest of 6.8 percent on all loans.

[4:08:37 PM](#)

FAITH HOWELL, SELF, FAIRBANKS (via teleconference), did not understand how special interest groups kept begging for funding when the PFD was supposed to go directly to the people. She shared that she is a senior and ineligible for other services because she received social security. She stressed that she and her partner were raising their grandchildren and desperately needed the PFD funding to feed the children. She supported a full PFD or the governor's proposal.

4:09:48 PM

CHELSE LORD, SELF, CHUGIAK (via teleconference), supported a full PFD or the governor's proposal. She supported a constitutional convention to put the PFD in the constitution. she stated that the PFD was the people's money. She believed PFD would stimulate the economy. She supported moving the capitol to the road system. She thought the state had taken enough money from the people. She stated that the money needed to be given back.

4:11:41 PM

RYAN APATHY, WWAMI MEDICAL STUDENT, ANCHORAGE (via teleconference), called in support of funds for the WWAMI program. He shared his personal experience in the program. He was currently completing an internship at Seattle Children's Therapeutics through WWAMI. He had been provided the opportunity to engage in medical research while remaining connected to his home community of Sitka. He stated that without state funding, the talent and intelligence he saw in his classmates was in danger of being diluted throughout the country instead of being condensed and cultivated at home. He urged passage and identification of a stable funding source.

4:13:55 PM

COLLEEN VAN VLEET, SELF, ANCHORAGE (via teleconference), spoke in support of the governor's PFD proposal. She stated it would be nice if the public received backpay for PFDs reduced in recent years. She reported that the partial PFDs were not cutting it. She provided information about her personal experience. She supported putting the PFD in the constitution.

4:15:33 PM

ALEX MCDONALD, SELF, FAIRBANKS (via teleconference), stated that the legislature had taken billions out of the economy in recent years due to PFD cuts. He shared that he was a small business owner. He supported a full PFD. He stressed that paying the PFD would help the state, private sector, and the economy. He highlighted the high cost of fuel. He cited a statement by the late governor Jay Hammond that it was not the state's job to pick winners and losers. He stated that the PFD evened the playing field. He thought

the legislature should be maximizing the benefits for all residents, not special interests. He supported a statutory PFD and backpay if possible. He highlighted federal COVID funds and noted the Permanent Fund made record returns in the current year.

4:18:04 PM

ABBY ST. CLAIR, SELF, WASILLA (via teleconference), supported the governor's PFD plan. She asked the legislature to pay a statutory PFD or the governor's proposal. She remarked that residents were continuing to experience financial challenges resulting from the COVID pandemic. She stated that paying a full PFD would boost the state's economy and help Alaskans.

4:19:05 PM

SANDI BATESON, SELF, PALMER (via teleconference), spoke in support the governor's PFD proposal. She shared that she had been an essential worker and her husband was working multiple jobs. She had been hit with a serious medical issue and could not work at present. She stated that residents needed their full PFD.

4:20:20 PM

MAX KULLBERG, SELF, ANCHORAGE (via teleconference), testified in support of funding for the WWAMI program. He provided the benefits of the program. He shared that the program had the fourth highest retention rate of any medical school in the country. He relayed almost 60 doctors returned to work in Alaska for every 80 trained. He stated that if the program was not funded, the medical program could end in the state. He thanked the governor for recently introducing WWAMI, the Alaska Performance Scholarship, and the Alaska Education Grant into the current legislative special session. He urged support of the programs.

4:22:02 PM

KIM WISE, SELF, ANCHORAGE (via teleconference), supported the governor's proposal. She shared that she had worked as a tour guide for many years in Alaska. She was often asked about the PFD program. She was a single parent of a special needs child and spent her PFD on programs not covered by

medical care for her child. She added that the pandemic had also impacted her family. She was in full support of the PFD.

4:23:26 PM

JAMES PHILLIPS, SELF/NORTHERN CREDIT SERVICES, KETCHIKAN (via teleconference), spoke in support of the PFD. He shared that the entity dealt with thousands of people daily who survived due to the PFD. The PFD helped Alaskans with fuel, food, and other. He asked the legislature to help the governor with his efforts.

4:24:31 PM

DR. THOMAS QUIMBY, ALASKA CHAPTER OF AMERICAN COLLEGE OF EMERGENCY PHYSICIANS, PALMER (via teleconference), testified in support of full funding for the WWAMI program. He shared that he was a WWAMI graduate. He spoke to the benefits of the program. He provided a story about a patient who benefitted from the program. He stated that loss of the program would mean Alaska would be the only state in the U.S. without a medical school or affiliation with a medical school for instate students.

4:26:58 PM

SABRINA WOODY, SELF, ANCHORAGE (via teleconference), shared that she spent her PFD on her daughter's clothes, winter supplies, and future education. She thought it was a slap in the face to hear the PFD may only be \$500. She supported the governor's proposed \$2,350 PFD. She highlighted the increasing cost of goods and services in the state.

4:28:08 PM

AT EASE

4:28:30 PM

RECONVENED

Ms. Woody continued her testimony. She provided details about the expense of items in the state. She listed items she sued the funding for. Many families had been hurt drastically by COVID. She stated that the PFD would help people get back on their feet. She hoped the legislature would consider what the money could do to help the people and economy.

4:30:17 PM

KATHRYNE MITCHELL, WWAMI, FAIRBANKS (via teleconference), spoke in support of WWAMI and its funding. She thanked the governor for adding the program to the special session. She thanked legislators for their continued support of the program. She shared personal details about her education experience. She was enrolled in the program and was working toward becoming a physician to work in rural Alaska. She spoke to the need for medical professionals to understand patients in Alaska.

4:32:34 PM

SHEILA SCHATZ, SELF, WASILLA (via teleconference), spoke in support of the \$13,000 in PFD funds that had been taken from residents. She stated that the continual theft of the people's PFDs was unacceptable. She highlighted the Permanent Fund's high earnings. She found a \$2,300 PFD unacceptable. She stated that Alaskans were owed backpay. She stated that what she did with her PFD was none of the legislature's concern. She wanted an audit. She wanted her full \$13,000.

4:34:23 PM

TIMOTHY WILSON, SELF, WASILLA (via teleconference), spoke in support of the governor's PFD plan in addition to a statutory and constitutionally protected PFD. He thought the elected leaders were interested in their own pocketbooks. He was tired of watching what looked like wasteful spending and the state's money going to personal interests and campaign donors. He did not see how the state could have a budget problem when there had not been one when former Governor Walker took office. He believed the reduction of the PFD was criminal.

4:35:41 PM

MIKE COONS, SELF, PALMER (via teleconference), testified in support of the governor's plan. He stated that the people voted for continuing SB 21. He believed the legislature had violated the law for several years. He supported the governor's vetoes. He did not believe the House was compromising on the budget. He supported the governor's constitutional amendments SJR 6 and SJR 5. He was unhappy

with the lower PFD number but would support the governor's efforts. He stated that the majority did not listen to the recommendations of the fiscal policy working group. He supported a revised constitution.

[4:37:42 PM](#)

KURT SCHMIT, SELF, DELTA JUNCTION (via teleconference), testified in support of HB 3003 and the full statutory PFD. He supported former Governor Hammond's role in the statutory PFD. He stated that 100 percent of Alaska students were impacted by the PFD payout. He detailed that many of the students put the money in savings for education. He asked what was more important, established successful students in the WWAMI program or the young students in Alaska. He found it ironic the people were squabbling over who should get the PFD money - special interests or the people. He supported following Hammond's plan regarding distribution of economic resources.

[4:40:01 PM](#)

DANIELLE HENSON, SELF, WASILLA (via teleconference), spoke in support of a full PFD that would allow residents to put more money back into the economy. She stated it would allow people to buy locally and would help many families out for winter. She shared personal detail about her family's experience. She thought it would hurt many Alaskans if they did not get the money that was rightfully theirs.

[4:42:07 PM](#)

DR. HERB SCHROEDER, UNIVERSITY OF ALASKA - ANCHORAGE, EAGLE RIVER (via teleconference), supported full funding for the WWAMI program. He shared that 25 percent (40 students) of his incoming students wanted to be physicians. He elaborated that the best place for the students to attend medical school was through WWAMI.

[4:42:59 PM](#)

ROBERT GRESHAM, SELF, NORTH POLE (via teleconference), urged the legislature to pass the governor's proposed PFD plan. He shared that as a disabled veteran who was unable to work, the issue was very important to him. He stated that the PFD had never been intended as a stopgap payment, but it seemed to have become that in the past few years. He

stressed the people's need for a full PFD. He pointed to high gas and fuel prices. He believed the people should have an opportunity to vote on the measure. He asked for a full PFD or the governor's proposal.

4:44:38 PM

ALICIA ASTLUND, SELF, WASILLA (via teleconference), supported the bill as part of the comprehensive fiscal solution.

Co-Chair Merrick noted they would come back to Ms. Astlund [due to a poor connection].

4:46:24 PM

RACHEL ALLEN, SELF, WASILLA (via teleconference), stated that some of the legislators had been on their phones during public testimony and did not appear to be listening. She elaborated that it appeared members did not care and were uninterested in the testimony. She stated that the legislature needed to quit stealing the people's money and give back the PFD. She supported getting rid of electronic voting machines that she believed had enabled legislators to cheat and stay in power. She stated there was a storm coming and judgement from God. She supported a full PFD.

4:48:06 PM

PAUL HARTLEY, SELF, KENAI (via teleconference), supported a full PFD payout or the governor's plan. He thought he had heard only one testifier who was not in support of a full PFD or the governor's plan. He asked if the legislators were listening to the people. He asked legislators to consider the need of the Alaskan people they served.

4:49:02 PM

ALICIA ASTLUND, SELF, WASILLA (via teleconference), returned to her testimony. She was in full support of HB 3003 and wanted a comprehensive fiscal solution to the problems facing the state. She noted the hesitancy of legislators to put forth a constitutional amendment to the vote of the people. She cited examples. She wanted a comprehensive fiscal solution that would contain constitutional amendments. She thought it was very important for Alaskan people to have a say in government

and in how the money was spent. She was concerned that the Constitutional Budget Reserve had been spent down.

4:51:34 PM

BENJAMIN ULAN, SELF, FAIRBANKS (via teleconference), spoke in favor of a full PFD and backpay for past PFDs. He needed the PFD money. He shared that he was a single father of three children. He stated a full PFD would boost the economy. He remarked there were other ways to get money to special interest groups than taking it directly out of the pockets of the people. He supported Governor Dunleavy's plan as an alternative. He also wanted the PFD placed in the constitution.

4:53:21 PM

JIM AYERS, SELF, JUNEAU (via teleconference), was saddened to hear testimony on the struggles people were having. He highlighted that some of the recommendations had been to look at COVID funds that may accommodate some of the people including veterans who had testified that winter was coming, and they may not have services. He was very concerned about HB 3003 and taking \$1.4 billion to \$1.5 billion from the ERA. He stressed that it blew the opportunity to maintain the funds. He detailed that maintaining the funds gave the opportunity to earn more than \$100 million per year for the state and future generations. He found it disappointing to hear that some legislators believed splurging and sending out big checks would solve the problems. He underscored that no one was guaranteed a free lunch in the constitution. He was a God fearing soul and veteran and stated that Alaska was built on hard work and people contributing. He emphasized that the roads, schools, education, and public safety provided the fundamental foundation of the state's system. He thought the AMHS was being dismantled along with the University of Alaska. He stressed that services were imperative. He pointed out there were not enough services out there to cut in order to mail out checks. He shared that Bishop Kenny had shared that his one fear about the PFD was that one day Alaskans would turn against Alaskans to dismantle what others may need simply to get more in their check.

4:55:46 PM

SANA EFIRD, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON POSTSECONDARY EDUCATION, JUNEAU (via teleconference), asked the committee to act quickly to resolve funding for the Alaska Performance Scholarship, the Alaska Education Grant, and WWAMI. She shared that in the current enacted budget, the programs were funded via the Higher Education Investment Fund, which was currently unfunded. She elaborated that HB 3003 included a fund source switch of UGF, which would allow award disbursement to students attending classes in the fall. She explained that without some resolution, there was currently no funding for the aforementioned programs. She stressed it would be an impediment to economic recovery for Alaska. The University of Alaska had agreed to honor the Alaska Performance Scholarships and education grants for students attending the university in the fall; however, there were 850 students attending other Alaska institutions who were awaiting confirmation of their awards. Additionally, 80 WWAMI students were facing an additional \$30,000 each of out-of-state tuition. She spoke to the mission of the agency. She requested a quick resolution to the issue.

[4:58:28 PM](#)

VANESSA WITT, SELF, FAIRBANKS (via teleconference), spoke in support of a full PFD and payback of past PFDs. She believed the law needed to be upheld. She noted current financial hardships people were experiencing. She believed the governor's plan was a good compromise. She asked the legislature to do what was right by residents. She also supported education grants, scholarships, and WWAMI. She did not support any new taxes.

[4:59:13 PM](#)

BITTNER BROOKS, SELF, FAIRBANKS (via teleconference), spoke in support of a full PFD and a curb in spending. He underscored that the PFD was a royalty check. He provided the definition of royalty. He wanted to see the budget fixed and wanted to see the people get all of their money. He thought without fixing the fiscal issues of the state the legislature would ultimately spend more money. He advocated fixing the budget with cuts. He wanted a full PFD and no state taxes. He supported the WWAMI program but supported Alaskan families first.

[5:01:18 PM](#)

JENNIFER GRAHAM, SELF, ANCHORAGE (via teleconference), asked for a full PFD, no tax, and reduced government. She remarked that Alaska was number one in the country for government versus private sector. She only supported a \$2,350 PFD with a companion constitutional amendment. She was hearing there may be amendments to reduce the statutory PFD to \$1,100. She spoke to the dire state many individuals were in. She thought government should be at a minimal size. She also thought the University of Alaska needed to stand on its own financial footing.

[5:03:40 PM](#)

CONNIE OWEN, SELF, WASILLA (via teleconference), spoke in favor of a full PFD and backpay of past PFDs. She supported putting the money back in the people's pockets. She wanted the capital to move to the road system. She stated it was time for the legislature to listen to the people or voters would put people in who would listen. She spoke against voting machines, which she believed were destroying the public's vote.

[5:04:39 PM](#)

ESTHER REEM, SELF, PALMER (via teleconference), spoke in favor of a full PFD. She felt the money was stolen from the people of Alaska by lawmakers. She stressed the high rate of inflation on fuel and goods. She thought the legislators owed each Alaskan a minimum of \$13,000. She supported the governor's \$2,350 PFD as an alternative.

[5:06:00 PM](#)

KAYLEE EVANS, SELF, FAIRBANKS (via teleconference), called in favor of a full PFD. She noted the high cost of living in Alaska. She shared that her grandparents had to move because their retirements were not sufficient for them to stay in Alaska. She spoke of the economic challenges inflamed by COVID. She highlighted that backpay of the PFD would be life-changing for some people in the state. She thought the state had stolen the people's money.

[5:08:20 PM](#)

JULIAN HINER, SELF, KODIAK (via teleconference), did not support a state tax. He thought the legislature needed to

learn to spend less. He supported a full PFD and Governor Dunleavy's plan as an alternative.

5:08:59 PM

JODIE MITCHELL, CEO, INSIDE PASSAGE ELECTRIC COOPERATIVE, JUNEAU (via teleconference), called to urge members to move the renewable energy fund grants forward. She listed communities served by the cooperative. She shared that the previous fall the renewable energy fund grants had been prioritized by the Alaska Energy Authority (AEA). She reported that the funds were already allocated to AEA and only needed to be appropriated. She noted that somehow the issue had fallen through the cracks. She mentioned a number of projects that the funding affected. The funds needed to be appropriated sooner rather than later. She believed there were 11 projects statewide waiting for the money to be released. She thanked the committee.

5:12:21 PM

AT EASE

5:13:03 PM

RECONVENED

SEAN LOUG, SELF, FAIRBANKS (via teleconference), advocated for a full PFD. He stated that the overwhelming majority of Alaskans wanted nothing less than what they were owed. He believed anything less was theft. He stressed that the situation impacted the impoverished much more than anyone else in society. He indicated that many families relied on the PFD for clothing and heat. He stated that taking away any portion of the PFD took money out of the mouths of children. He remarked that the country was blessed with a great amount of income and the poorest individuals should not suffer. He understood it took money to run government. He believed it was necessary to pinch spending as much as possible. He suggested that if a tax was necessary, it should not impact the poorest and middle class disproportionately. He mentioned a sales tax that did not include groceries. He had lived in a state in the past that had tax free weekends. He believed the fairest system would be an income tax. He supported a full PFD and the governor's plan as an alternative.

5:15:41 PM

MATHEW MAIXNER, SELF, JUNEAU (via teleconference), thought taxation was theft. He stated that every PFD reduction was essentially like a personal income tax. He remarked that Alaska had the highest corporate income tax in the country. He suggested if the rate was lowered it would bring in business and more income for the state coffers. He thought the legislative body was lazy during special sessions. He wanted the legislature to listen to the people of Alaska. He highlighted that most callers supported a full PFD, himself included.

Representative Wool referenced the caller's statement that other businesses put money into state coffers. He understood how oil put money in the state coffers. He asked how other businesses put money into state coffers.

Mr. Maixner replied that there were companies that wanted to do business in Alaska but because the state had the highest corporate income tax in the nation it prevented businesses from coming. He stated that taking taxes from corporations stole from people who could get jobs.

5:19:07 PM

DAVID NEES, SELF, ANCHORAGE (via teleconference), spoke in support of the \$2,350 PFD. He was opposed to funding for the WWAMI program. He discussed the historical size of the program. He did not understand why doctors were not sponsoring WWAMI students or other. His biggest concern was that 40 percent of the FY 22 budget was made up of earnings from the Permanent Fund. He stressed that the people had the ultimate political power according to the constitution. He was supportive of the PFD portion of HB 3003 only.

Representative Rasmussen had heard numerous people say that doctors should support the WWAMI program. She was curious if Mr. Nees or his family members ever used doctors. She thought doctors were vital to the public health of the state. She believed governments should help ensure people were healthy.

Mr. Nees stated that 80 percent of medical doctors came out of the military program. He thought those were the individuals the government should be helping with college debt, instead of the state trying to grow its own doctors. He stated that 114 doctors in the state from the WWAMI

program meant 86 percent of the doctors in Alaska were from another source.

[5:22:07 PM](#)

KAITLYN LOGUE, SELF, FAIRBANKS (via teleconference), called in support of a full PFD payout or the governor's \$2,350 proposal as an alternative. She thought it was necessary to cut government if the state could not afford to pay a full PFD. She potentially supported a luxury sales tax. She stressed that people were hurting. She implored the committee to provide the funding to help the people. She asked the committee to do the right thing.

[5:24:06 PM](#)

MICHAEL WALKER, SELF, STERLING (via teleconference), shared information about his personal background. He spoke to the original intent behind the PFD. He stated it was a fund for all Alaskans to share. He supported the governor's proposed \$2,350 and putting the 50/50 split in the constitution in the future. He asked the legislators to be true to the people who provided their paychecks.

[5:25:18 PM](#)

MICHELLE BARNES, SELF, SOLDOTNA (via teleconference), discussed the reason behind the repeal of a state income tax in the past. She spoke to the original purpose of the PFD. She stated that the PFD had put thousands of dollars into the hands of the people over the years. She believed the legislature had wasted state funds on various things including port projects, salaries, and per diem payments. She supported the payment of a full PFD and backpay for reduced PFDs at a total of \$13,000 per person. She supported the governor's 50/50 plan. She wanted placing the PFD in the constitution to be put on the ballot.

[5:28:07 PM](#)

JORDAN WOODS, SELF, ANCHORAGE (via teleconference), shared that he had worked in Prudhoe Bay for 15 years and had been released from Hilcorp. He hoped residents got their fair share.

[5:28:59 PM](#)

PAUL D. KENDALL, SELF, ANCHORAGE (via teleconference), spoke about a park in Anchorage. He did not care where individuals stood on issues like the PFD, the vaccine, and masking, he wanted to gather to form another type of government. He thought someone had stolen up to \$8 billion that had been directed to the Public Employees' Retirement System (PERS). He stated that testifiers could use whatever language they chose.

[5:31:20 PM](#)

TAMMY SCHMIDT, SELF, WASILLA (via teleconference), supported the governor's PFD proposal and wanted to see a return to the plan established by former Governor Jay Hammond. She stated that the PFD was intended to support individuals, not special interest groups. She supported backpay of the PFDs reduced in the past.

[5:32:45 PM](#)

JUDI BARTLETT, SELF, SOLDOTNA (via teleconference), asked legislators to fulfill their oath of office. She stated that constituents were offended that the legislature did not listen to the public regarding the PFD. She wanted the PFD in the constitution to avoid the annual situation.

[5:33:45 PM](#)

CHRISTINA HANSEN, SELF, FAIRBANKS (via teleconference), supported the full PFD. She was disheartened by the legislature's treatment of the PFD. She supported the governor's proposal if the full PFD did not pass.

[5:35:29 PM](#)

LEONARD CUSTIS, SELF, HOUSTON (via teleconference), called on behalf of himself and his wife. They supported the full PFD and backpay of PFDs. He supported the governor's plan but did not believe it went far enough. He supported putting the PFD in the constitution. He thanked the other callers and the committee for taking testimony.

[5:36:39 PM](#)

LOUIS IMBRIANI, SELF, EAGLE RIVER (via teleconference), stated the legislature should not have the ability to pick and choose which laws to follow. He asked where the

authority lay within the legislature to determine the amount of the PFD. He stated that citizens did not have the ability to pick and choose which laws to follow, and neither should the legislature. He stated that the legislature had the authority to make a change to the law. He urged the legislature to find a statutory solution that worked for Alaskans and the economy. He asked legislators to follow the law or change it.

[5:38:54 PM](#)

DIANA CHADWELL, SELF, DELTA JUNCTION (via teleconference), shared that she had become paralyzed in her late 30s and unable to do her work. She supported repaying every Alaskan the PFDs that had not been paid in full, which she estimated to be around \$15,000 per person. She supported UAF and shared personal information about her education. She spoke to the extremely high cost of living in Delta Junction. She only supported the governor's PFD plan in lieu of receiving all of the past owed PFD funds. She wanted the capital to move.

[5:41:37 PM](#)

KAREN PERRY, SELF, CHUGIAK (via teleconference), she supported a full statutory PFD. She believed SB 26 was an attempt to bypass the traditional statutory PFD distribution formula. She supported the repeal of SB 26. She stated that PFDs that did not follow statute equated to theft. She did not support putting the payment of oil tax credits ahead of the PFD. She stated that the PFD would help people pay for fuel and education.

[5:44:16 PM](#)

CHRIS DRAPER, SELF, ALEXANDER CREEK (via teleconference), thought that legislators should all be fired. He stated that the legislature was letting the public down. He stressed that the PFD belonged to the people. He directed the legislature to give the money back.

[5:45:18 PM](#)

ROBERT JEWETT, SELF, WASILLA (via teleconference), spoke in support of a full PFD. He shared information about his life in Alaska. He recalled former Governor Hammond saying that the funds would always be for the people. The PFD had help

him accomplish goals in the past. He emphasized there was nothing the state could do to benefit all Alaskans beyond what the PFD could do for people. He supported a full statutory PFD or the \$2,350 proposed by the governor.

[5:47:22 PM](#)

LISA JOHN, SELF, FAIRBANKS (via teleconference), stated that there were many people in villages who relied on fishing and hunting. She pointed out there were many people who did not get their fish in the current year. She stated that the number of fish caught was not enough to make it through the winter. She stated that villages had relied on the PFD annually since their hunting and subsistence rights had been taken. She wondered if the legislators had ever had to choose between food or fuel for their families. She emphasized there were families having to make the choices. She stressed that the legislature needed to stop taking the people's money.

[5:49:28 PM](#)

DUANE EVERTSON, SELF, BIG LAKE (via teleconference), shared that he was a Vietnam veteran and had lived in the state since the early 1990s. He discussed that the Permanent Fund had been established in two parts - for the government and the people. He stated that the government's portion had been squandered away. He stressed the money belonged to the people. He believed the government needed to be cut by 20 percent. He stated the legislature could balance the budget by obeying its bosses, the public. He supported the legislature meeting in Anchorage instead of flying to Juneau.

[5:51:44 PM](#)

DEBORAH PARK, SELF, ANCHORAGE (via teleconference), stated that the PFD needed to be fully paid out to all Alaska residents. She stated that as long as there was money in the Permanent Fund the ever-growing special interest government would be after it. In the meantime, she supported the governor's PFD plan. She stressed the PFD was created for Alaskans and not for paying for government.

[5:52:53 PM](#)

JAN-MARIE BEARFIELD, SELF, JUNEAU (via teleconference), spoke in support of a full PFD. She believed the legislature had stolen money from the people. She shared that she was currently unemployed due to health reasons. She was working to get back on her feet working. Due to COVID she was unable to get back to work currently. She stressed that legislators needed to do their jobs. She stated the legislature had taken money from the Permanent Fund year after year. She underscored legislators were spending money that was not theirs to spend.

5:55:14 PM

RENN NELSON, SELF, CRAIG (via teleconference), referenced testimony that people wanted legislators to be audited. He supported a statutory PFD. He liked the governor's willingness to try to reach a compromise on the PFD; however, he believed in the payment of a full PFD. He suggested ways to increase revenue. He supported shrinking government. He thought the legislature had enough time to take care of the problems facing the state.

Representative Rasmussen asked what should be audited related to the legislature and lobbyists.

Mr. Nelson answered he wanted an audit to know whether the legislature was following laws. He wondered why he should have to follow the law if the legislature did not have to. He believed that the PFD statute should be followed. He was concerned about a Mount Polly disaster in Canada related to mining. He stated that levies had failed. He stated they were talking about a similar project near Ketchikan. He supported mines, but he did not want the streams to be polluted if mines failed.

5:59:13 PM

JAMES SQUYRES, SELF, DELTANA (via teleconference), supported the statutory PFD. He asked how much of the testimony would be twisted and spun into support for the governor's proposed amount. He believed the legislature was severely disjointed from the people. He supported the repeal of SB 26. He supported the governor's bill HB 3002. He highlighted that inflation proofing of the Permanent Fund had been prepaid for numerous years. He stated a percent of market value (POMV) was not income, but a

number. He wanted the bill to be amended to pay a full statutory PFD.

[6:01:16 PM](#)

ANITA SAMUEL, WWAMI, ANCHORAGE (via teleconference), supported the WWAMI program and a funding source for the program. She shared that she was currently a medical student in the WWAMI program. She discussed that the program brought Alaskans back to Alaska to practice medicine. She spoke to the high cost of medical school even when only paying instate tuition. She stressed the state could not afford to have a brain drain of doctors. She spoke to the benefits of the program. She shared that the program trained 20 Alaskan doctors per year and ensured they would come back to Alaska or pay part of the state's investment. She shared that Alaska was underserved in the healthcare sector. She relayed that the WWAMI was a program by Alaskans, for Alaskans, to serve Alaskans. She thanked the governor for including it in the budget and asked the legislature to approve a funding source.

[6:03:23 PM](#)

TERRY VANLEUVEN, SELF, JUNEAU (via teleconference), shared that he loved Alaska and shared information about his life. He supported the governor's proposal. He shared that the people he had spoken with were happy with the proposed \$2,350.

[6:04:12 PM](#)

MANOLI MALAMUTE, SELF, FAIRBANKS (via teleconference), supported the full PFD with backpay or the governor's proposal as an alternative.

[6:04:51 PM](#)

BRIAN VANDERWOOD, SELF, ANCHORAGE (via teleconference), supported the restoration of the PFD to its full statutory formula. He thought anything else would be criminal. He stated there was nothing that could replace the voice of the people. He remarked that the legislature's job was to act in the best interest of the people. He highlighted that the people of Alaska had spoken. He discussed that former Governor Hammond had put together a program that had been sustainable for many years. He believed it had been

sabotaged by the former Walker administration. He supported the current governor's efforts; however, there was a debt due to the people that needed to be paid in full. He shared information about his family.

[6:07:14 PM](#)

DWIGHT LANE, SELF, NORTH POLE (via teleconference), shared that he is a disabled veteran. He supported the governor and everything he did. He wanted the capital to be on the road system.

Co-Chair Merrick provided the email address for written testimony.

[6:08:38 PM](#)

AT EASE

[6:23:28 PM](#)

RECONVENED

Co-Chair Foster returned to the amendment process.

[6:23:56 PM](#)

Representative Wool MOVED to ADOPT Amendment 2, 32-GH3353\A.2 (Marx, 8/20/21) (copy on file):

Page 1, line 3:

Delete "from the earnings reserve account"

Page 1, lines 4 - 5:

Delete "budget reserve fund"

Insert "constitutional budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska)"

Page 5, lines 1 - 4:

Delete all material and insert:

"* Sec. 4. ALASKA PERMANENT FUND. The sum of \$730,500,000 is appropriated to the dividend fund (AS 43.23.045(a)) for the payment of a permanent fund dividend in the amount of approximately \$1,100 to each eligible individual and for administrative and associated costs for the fiscal year ending June 30, 2022, from the following sources:

(1) \$400,500,000 from the general fund;

(2) \$330,000,000 from the budget reserve fund (AS 37.05.540(a))."

Page 5, line 8:
Delete "APPROPRIATION"
Insert "APPROPRIATIONS"

Page 5, line 9:
Delete "a fund"
Insert "funds"

Co-Chair Foster OBJECTED for discussion.

Representative Wool explained the amendment lowered the amount of the PFD to \$1,100 paid from general funds and the SBR. He noted the proposal was similar to what had been adopted by the conference committee and passed by the House and Senate. He elaborated that the amendment would use \$330 million from the SBR (surplus from FY 21) and \$400.5 million from the General Fund from FY 22. The total combined amount of approximately \$730.5 million equated to a PFD of about \$1,100 per person. He explained that the governor had vetoed the amount passed by the legislature and the amendment would return to the amount the legislature had originally passed. He highlighted that the proposal would not require an overdraw of the ERA and would not require any additional funds. He stated that the 5 percent draw from the ERA was kept intact.

[6:25:56 PM](#)

Representative Thompson asked if the \$330 million was from the SBR.

Representative Wool replied in the affirmative. He explained that the amendment used the SBR because recent court decisions had determined the SBR was not a sweepable fund. He detailed that the SBR did not require a three-quarter vote and would be a safe way to pay for the PFD.

[6:26:41 PM](#)

Representative Josephson would be supporting the amendment. He did not believe there had ever been a court declaration that addressed the SBR. He stated that about two weeks back, superior court judge Garten listed a series of funds outside the General Fund including the SBR (AS 37.05.540).

He read from the statute: "there is established as a separate fund in the state treasury, the budget reserve fund." He noted that the administration had the right and wherewithal to appeal the decision. He highlighted that the case had not been about the SBR (as the legislature had heard from its attorneys). He stated that although the superior court ruling was not binding, it was another issue. He elaborated that an attorney would typically cite to footnote 77 in support of the seeming likelihood that the SBR was not sweepable. He believed the funds were available. He noted that the committee had just heard from about 100 Alaskans. He pointed out that the delegation in the legislature of those who had testified did a great job representing their constituents. He stated there were people who did not agree with the position who had not called in. He remarked that SB 26 was a conservative policy of spending prudently. He noted that the draw remained 5 percent even if returns were negative or 1 percent. He argued that under a method of overdrawing one year, there should be an under-draw in bad years. He asked how to plan around that method. He supported the amendment.

Representative Wool commented on the calls from testifiers in relation to PFD amounts. He pointed out that coincidentally the average PFD over the last 40 years was \$1,100. He highlighted that the PFD had ranged between \$900 and \$1,300 between 2000 and 2015 (before the statute had not been followed). He detailed that the highest PFD ever paid was in 2015 for \$2,072 and the first time it had exceeded \$2,000 was in 2008 when there had been a supplemental check due to high oil and heating prices. He stated that the PFD had never come close to \$3,000.

Representative Johnson OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: LeBon, Ortiz, Thompson, Wool, Edgmon, Josephson, Merrick

OPPOSED: Rasmussen, Carpenter, Johnson, Foster

The MOTION to ADOPT Amendment 2 PASSED (7/4). There being NO further OBJECTION, Amendment 2 was ADOPTED.

[6:32:31 PM](#)

Vice-Chair Ortiz MOVED to ADOPT Amendment 3, 32-GH3353\A.1 (Marx, 8/20/21) (copy on file):

Page 1, lines 4- 5:

Delete "making an appropriation from the earnings reserve account to the budget reserve fund;"

Page 5, line 1:

Delete "(a)"

Page 5, lines 5 - 11:

Delete all material and insert:

"* Sec. 5. LAPSE OF APPROPRIATION. The appropriation made in sec. 4 of this Act is for the capitalization of a fund and does not lapse.

* Sec. 6. RETROACTIVITY. The appropriation made in sec. 4 of this Act is retroactive to July 1, 2021."

Representative Carpenter OBJECTED.

Vice-Chair Ortiz explained that with the passage of Amendment 2, Amendment 3 would remove the \$3 billion appropriation to the CBR that would have acted as bridge money necessary to pay out a larger PFD. He explained that the appropriation and an overdraft were no longer necessary as a result of Amendment 2. He detailed that it meant the state did not need to forgo \$180 million in lost earnings by making the \$3 billion from the ERA.

Representative Carpenter did not think the previous amendment and the current amendment would stand on the House Floor. He thought they were a waste of the committee's time.

Representative Wool he noted there was some cleanup language in Amendment 2 due to a recommendation by Legislative Legal Services. He informed members that the passage of Amendment 3 would delete the language that referenced the CBR.

Representative Carpenter MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Thompson, Wool, Edgmon, Josephson, LeBon, Rasmussen, Merrick, Foster

OPPOSED: Carpenter, Johnson

The MOTION to ADOPT Amendment 3 PASSED (9/2). There being NO further OBJECTION, Amendment 3 was ADOPTED.

6:35:43 PM

Co-Chair Merrick MOVED to ADOPT Amendment 4 (copy on file):

DEPARTMENT: Commerce Community and Economic
Development

APPROPRIATION: Community and Regional Affairs

ALLOCATION: Community and Regional Affairs

ADD: \$400,000 UGF(1004) to grants line

EXPLANATION: Restore General Fund Subsidy to Alaska
Legal Services

Co-Chair Foster OBJECTED for discussion.

Co-Chair Merrick explained that the amendment would restore \$400,000 the governor had vetoed from the Alaska Legal Services Corporation (ALSC). She detailed that ALSC had been providing free civil legal aid to Alaskans in need since 1967. The corporation had 12 offices throughout Alaska and had provided legal aid to over 7,000 Alaskans in 205 communities the previous year. She elaborated that ALSC was the largest and often the only provider of civil legal help to survivors of domestic violence, crime victims, seniors, veterans, and many others struggling in difficult times. The effectiveness and efficiency of the services provided was well documented and the community demand for help was overwhelming. She highlighted ALSC's 86 percent success rate and a recent study showing that for every \$1 invested in ALSC it saved state and local governments \$5.

Co-Chair Merrick stated that Alaska led the country in domestic violence and sexual assault per capita. She expounded that in FY 20, ALSC provided help to over 900 survivors of domestic violence and sexual assault. She relayed that decade's worth of studies had found that providing civil legal help to domestic violence survivors was the most effective intervention. She explained that it could help get protective orders against abusers, help with family custody matters, and secure other resources to meet basic needs. She reported that the veto of \$400,000 represented a cut of 62 percent of ALSC's state

appropriation, reducing state support to its lowest point since 2010. She stated the action appeared to be an inadvertent error caused by confusion. She explained that the administration had thought the vetoed funds were an increase; however, the amount merely reflected flat funding from the previous year. She stressed that ALSC had turned away nearly 250 people in need of legal assistance in July alone in preparation for the vetoed funding. The amendment would restore longstanding funding, returning state support to its status quo. The funding would enable the corporation to serve Alaskans desperately in need of help. She underscored that without the funding, Alaskans would have no where else to turn.

[6:38:11 PM](#)

AT EASE

[6:49:15 PM](#)

RECONVENED

Representative Josephson spoke in favor of the amendment. He thanked Co-Chair Merrick for offering the amendment. He indicated that in law school he had been an intern for Pennsylvania Legal Services. He shared detail about the experience. He relayed that as a trial lawyer he had opposed Legal Services attorneys and had been very impressed by their work. He found the vetoed funding for Alaska Legal Services as symbolic of all of the other vetoes and swept items that the legislature had identified as imperative six to eight weeks earlier.

Representative Edgmon spoke of support of the amendment and the program. He had seen the benefits of Alaska Legal Services, as there was an office in Dillingham. He shared that he chaired the budget subcommittee that oversaw ALSC and had been an advocate of the program for many years. He characterized the office as the "little engine that could." He stressed that the corporation attracted a substantial amount of funding for every dollar of state support, in addition to volunteer time and federal resources. He strongly supported the funding and thanked Co-Chair Merrick for introducing the amendment. He lauded Nicole Nelson who lobbied on her own and did a great job.

[6:52:44 PM](#)

Representative Carpenter thought it was a great juxtaposition of state spending. He remarked on the committee's action to eliminate PFD funding that would go a long way to help poor people, while at the same time, adding money to the budget to support poor people. He thought the committee was saying that it believed the government needed to spend money for poor people rather than putting money into poor people's hands. He opposed the amendment.

Co-Chair Foster relayed that he voted against the \$1,100 PFD in Amendment 2 because his district supported a full PFD. However, he would be supporting the current amendment. He shared that Alaska Legal Services had a presence in Nome and he saw the value of the service for the reasons highlighted by Co-Chair Merrick.

Representative Wool referenced a table showing PFD recipients. He noted that the table did not list recipients' income. He pointed out that in 2020, 630,937 applications had been paid. He did not believe all PFD applicants were poor. He supported that ALSC helped financially challenged individuals. He remarked that the PFD went out to everyone, regardless of wealth. He would support the amendment.

[6:54:32 PM](#)

Co-Chair Merrick provided wrap up on the amendment. She relayed that Alaska Legal Services' core purpose of ensuring access and fairness in the justice system was a fundamental American value. She believed everyone on the committee saw the value of the program. She noted that earlier in the evening she had enthusiastically supported paying \$114 million of oil and gas tax credits. She underscored that the \$400,000 in Amendment 4 reflected 0.003 percent of the amount paid to oil and gas tax credits.

Representative Carpenter MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Rasmussen, Thompson, Wool, Edgmon, Josephson, Ortiz, Merrick, Foster

OPPOSED: Carpenter, LeBon

Representative Johnson was absent from the vote.

The MOTION to ADOPT Amendment 4 PASSED (8/2). There being NO further OBJECTION, Amendment 4 was ADOPTED.

Co-Chair Foster indicated that the remainder of the amendments would be taken up the following morning.

Representative LeBon asked if the committee should meet at 9:00 a.m. due to the House Floor session beginning at 10:00 a.m.

Co-Chair Foster anticipated that the floor session would meet after the committee concluded the following day.

[6:57:09 PM](#)

AT EASE

[6:57:52 PM](#)

RECONVENED

Co-Chair Foster indicated the committee would recess until the following morning at 10:00 a.m.

^RECESSED to AUGUST 25, 2021.

[6:58:14 PM](#)